

**Core Question 2: Is the organization in sound fiscal health?**

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?							
Indicator Targets	Does not meet standard		The school does not meet standard on 2 or more of the five sub-indicators shown below.				
	Approaching standard		The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.				
	Meets standard		The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.				
	Exceeds standard		The school meets standard for all 5 sub-indicators.				
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	AS	MS					
Sub-indicator Ratings	Sub-	Sub-indicator targets				Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%			97%	AS
		AS	Enrollment ratio is between 90 – 98%				
		MS	Enrollment ratio equals or exceeds 99%				
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%			99%	MS
		AS	Enrollment ratio is between 90 – 95%				
		MS	Enrollment ratio equals or exceeds 95%				
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0			2.58	MS
		AS	Current ratio is between 1.0 – 1.1				
		MS	Current ratio equals or exceeds 1.1				
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30			45	MS
		AS	Days cash on hand is between 30-45				
		MS	Days cash on hand equals or exceeds 45				
	Debt Default	DNMS	Default or delinquent payments identified			Meets	MS
		MS	Not in default or delinquent				

Indianapolis Lighthouse Charter School met standard for Core Question 2.1 for the 2013-14 school year.



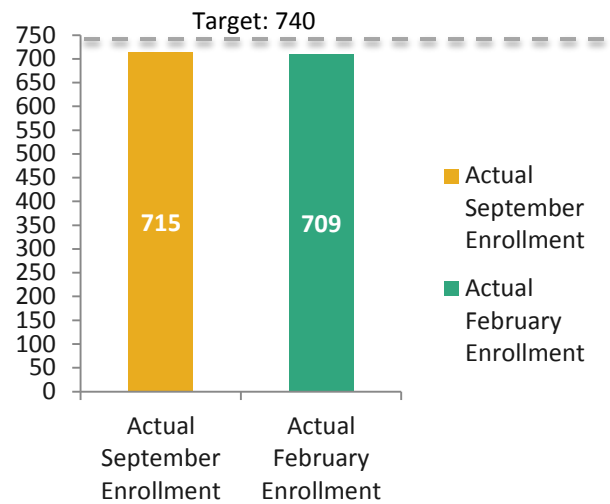
## Core Question 2: Financial Performance Framework Indianapolis Lighthouse Charter School

Based on data from the September 2013 count day, the school approached the enrollment targets stated in its charter agreement. The school had 715 students enrolled at the September count day, but its charter indicated that it would have 740 students enrolled.

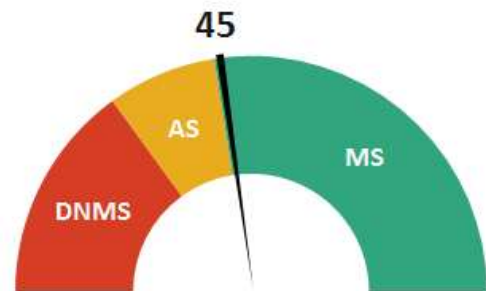
Though Indianapolis Lighthouse Charter School missed its September count, it met standard for its February count day results and had 709 students enrolled on that date. The school had more current assets than current liabilities (those due in the next 12 months) and as a result met standard for this sub-indicator. Indianapolis Lighthouse Charter School ended the year with 45 days of cash on hand. This means that if payments to the school had stopped or been delayed post June 30, 2014, the school would have been able to operate for 45 more days. As a result, the school met standard for this indicator.

Finally, the school successfully met its debt obligations based on the information that Fitzgerald Isaac, the school's auditor, provided. The school's creditors did not provide any communication to indicate anything to the contrary. Since the school met standard for four out of five of the sub-indicators, it met standard for core question 2.1.

### Enrollment Variance Ratio



### Days Cash on Hand





2.2. Long-term Health: Does the organization demonstrate long-term financial health?							
Indicator Targets	Does not meet standard		The school does not meet standard on any of the 3 sub-indicators <b>OR</b> meets standard on 1 sub-indicator but does not meet standard on the remaining 2.				
	Approaching standard		The school meets standard on 2 of the sub-indicators while not meeting on the third, <b>OR</b> approaches standard on all 3 sub-indicators.				
	Meets standard		The school meets standard on 2 of the sub-indicators and approaches standard on the third.				
	Exceeds standard		The school meets standard for all 3 sub-indicators.				
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Not Available	AS					
Sub-indicator Ratings	Sub-	Sub-indicator targets				Result	Rating
	Aggregate Three-Year Net Income	DNMS	Aggregate 3-year net income is negative.			\$1,163,566 (aggregate)	MS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.			\$6,614	
		MS	Aggregate three year net income is positive, and most recent year is positive.			(current year)	
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95			0.91	AS
		AS	Debt to Asset ratio is between .9 - .95				
		MS	Debt to Asset ratio is less than or equal to .9				
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05			1.09	AS
		AS	DSC ratio is between 1.05-1.15				
		MS	DSC ratio equals or exceeds 1.15				

Indianapolis Lighthouse Charter School received a rating of **approaching standard** for Core Question 2.2 for the 2013-14 school year.

The school **met standard** for the net income sub-indicator. It had an aggregate three-year net income of **\$1,163,566** and a current year net income of **\$6,614**.



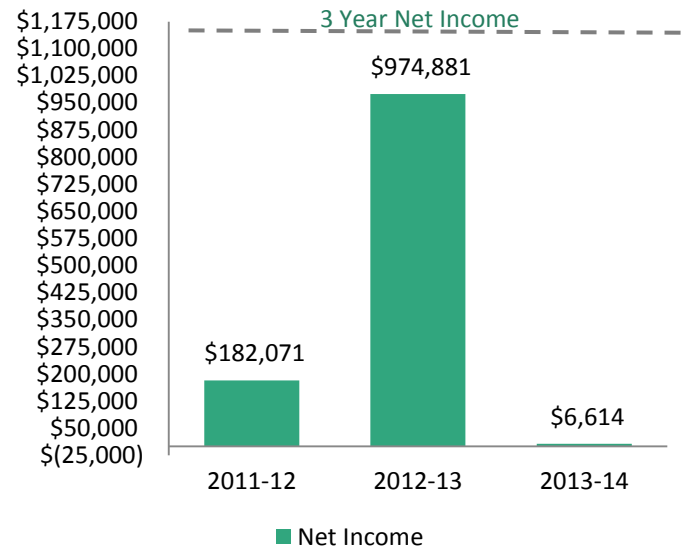
## Core Question 2: Financial Performance Framework Indianapolis Lighthouse Charter School

The school **approached standard** on the debt to asset ratio sub-indicator. The school had a ratio of **0.91** meaning that its total debts were equivalent to 91% of its assets..

Additionally, the school **approached standard** for the debt service coverage ratio. The school's audit indicated that the school must pay \$744,899 in capital lease costs for the coming fiscal year ending June 30, 2015. The school's debt service coverage ratio of 1.09 indicates that generated enough net income, had enough depreciation, and paid enough in interest expenses to cover 109% of the debt it owes in the coming year. This does not meet the goal of schools being able to cover 115% of any debt they take on in the form of long-term maturities or capital leases.

As a result, the school still **approached standard** for Core Question 2.2.

Three-Year Net Income



### 2.3. Does the organization demonstrate it has adequate financial management and systems?

Indicator Targets	Does not meet standard		The school does not meet standard on 1 of the sub-indicators.				
	Approaching standard		The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.				
	Meets standard		The school meets standard on both sub-indicators.				
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Not Available	DNMS					
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets					Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.				AS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.				DNMS
		MS	The school satisfies all financial reporting requirements.				

Indianapolis Lighthouse Charter School received a rating of **does not meet standard** for Core Question 2.3 for the 2013-14 school year.



The school approached standard for its annual accrual based audit because its audit contained a significant deficiency. The significant deficiency was noted in the school's OMB Circular A-133 audit of federal funds. It was found that the school was not able to substantiate wages being claimed for some employees being paid by Title I dollars. The school responded by indicating that while it went through a Semi-Annual Certification of which employees should have been paid from those funds, it did not verify that certification. The school's response to audit findings indicates that it will be sure to verify the Semi-Annual Certifications moving forward.

In addition, the following concerns were noted in the State Board of Accounts (SBOA) compliance audit.

- **Cash receipts and deposits:** The SBOA requires that charter schools deposit funds within one business day of their receipt. In the case of Indianapolis Lighthouse Charter School, its auditors found that in the case of 10 of 25 cash deposits, the school did not comply with this requirement. The school has responded to this concern by revising operations staffs' schedule to allow for a daily trip to the bank in order to make deposits.
- **Vendor disbursements:** The auditors tested 23 Accounts Payable vouchers and found that in 5 cases the forms had a printed signature in the approval line that was not accompanied by a date. In 8 cases, the vouchers were neither signed nor dated on the approval line. This condition creates questions about whether the goods and services purchases through those forms were properly approved. The school has responded to this concern by agreeing to comply with the SBOA requirements.

Lastly, the school did not meet for its reporting requirements. The school's audit was not submitted to the SBOA until January 27, 2015 - nearly two months after the November 30<sup>th</sup> deadline outlined in the Master Calendar of Reporting Requirements.